



Interim Report

Second Quarter and First Half 2024



CEO'S COMMENTS

Dear Shareholders,

In the second quarter, our card manufacturing partners continued to take important steps towards commercial production for biometric cards, including Beautiful Card Corporation receiving their letter of approval (LoA) from Mastercard in June. This LoA represents a critical enabler for banks to bring biometric payment cards to market at scale. We also achieved notable market milestones, announcing additional market introductions by banks for biometric payment cards, while securing a repeat order within the access segment. We continued building a strong customer pipeline, setting a solid foundation for the future.

In today's digital world, there is increasing demand for biometric authentication at the edge of the network with no personal data stored in a central database or in the cloud. As a result, we have experienced a change in the market dynamics across IDEX Pay and IDEX Access during the first half of the year. Inbound requests are becoming more frequent, both from banks and access partners, indicating a new level of market maturity. We also observe that initial market introductions create a ripple effect among competitors, in the same region, eager to offer biometric cards to their customers as the new standard for contactless identification. The first IDEX Pay solution is currently in the implementation process with Eastern Bank Limited in Bangladesh, marking an important step forward in our growth strategy, and our first IDEX Access solution is commercially available as a FIDO2 card provided by AuthenTrend.

We continue to enable and support card manufacturers globally as they commercialize biometric smart cards and accelerate the adoption of biometric payments. Our extensive implementation programs are designed to support issuers and facilitate a seamless market introduction of biometric payment cards.

IDEX Pay

The payment market ecosystem continues to increase its focus on biometrics. The Reserve Bank of India (RBI) has shared a framework aiming to enhance the security of digital payments, by introducing various forms of authentication, including biometrics. EMVCo¹ has held user experience forums evaluating frameworks for biometric payment cards and has engaged with its industry partners. FIDO Alliance², Java Card Forum, NFC Forum, PCI SSC³, and various ISO/IEC⁴ groups, further pointing to opportunities for biometric smart card and multi-purpose solutions. In the second quarter biometric payment cards were introduced into four markets: Bangladesh, Turkey, the UK, and an additional South Asian country. Expanding our presence in Asia, we partnered with a pioneering challenger bank in South Asia to launch biometric payment cards at a commercial scale. This collaboration marks a significant step forward for IDEX in the region, building on the

¹ EMVCo: Entity that creates and manages standards for a consortium of Mastercard, Visa, JCB, American Express, China Union Pay and Discover

² Fast Identity Online"

³ Payment Card Industry Security Standards Council.

⁴ International Organization for Standardization/International Electrotechnical Commission

announced market introductions by two other South Asian banks, Eastern Bank Limited (EBL) and Mutual Trust Bank (MTB) in Bangladesh. The timing of biometric card launches in Bangladesh will most likely be impacted by the social unrest that surged in the country in recent months.

MTB is an example of biometric smart cards driving financial inclusion, enabling greater accessibility and financial empowerment. The untapped potential of 1.4 billion unbanked in the world represents an opportunity as financial inclusion, according to the UN, is critical to reduce poverty. Harnessing the power of technology is one of the most effective ways of integrating the unbanked population into the digital economy and support sustainable economic development. Biometric smart cards offer a low cost and secure solution to bring digital payments to the unbanked and underserved. Biometric payments for the growing affluent group for whom premium and metal cards are increasingly coveted represent another high potential segment. In the Asia Pacific region, metal cards are growing at a CAGR of over 100%⁵, unlocking new opportunities for IDEX Biometrics and the entire market.

BCC, a Taiwanese card manufacturing partner with a worldwide customer base, obtained their LoA from Mastercard late in the quarter. This Mastercard approval will help propel BCC's biometric smart card deployment as they leverage the efficient biometric platform solution and joint go-to-market programs with IDEX Biometrics, and an order was placed by BCC to this effect.

We recently announced the TaluCard in the UK, addressing the payment needs for visually impaired and elderly. The TaluCard solution includes a biometric payment card with touchable ink print and a voice guided app. TaluCard is engaging with interest groups for visually impaired for this inclusive payment initiative.

We are currently preparing for further scaling with the biometric card launches with strong traction in Asia on IDEX Pay and we expect to see shorter sales cycles going forward. Additionally, we are seeing a shift in biometric programs to higher volume requests.

IDEX Access

The continued global increase in cyber threats, digital security incidents, and the resulting costs have accelerated the need for robust and scalable authentication methods. Enterprise investments in identity and access management solutions continue to grow by double-digits. A lot of those investments are being allocated to various forms for Multi Factor Authentication solutions including those using FIDO and PKI standards. Our biometric card solution is earning a reputation as the most secure and efficient solution available to meet such demands. In addition, a biometric card can simultaneously serve as a physical access and identity badge, further improving the business case for organizations.

Late in the quarter, we secured a repeat order from AuthenTrend, a global digital authentication leader with a strong presence in Asia, for its biometric Multi Factor Authentication solution based on IDEX Access. AuthenTrend provides a new generation of biometric card security keys – ATKey. These biometric cards support both contact and contactless modes and work contactless with phones and NFC-enabled computers such as Microsoft Surface

⁵ Source: Giesecke+Devrient (G&D)

Pro 10. In the second quarter we also completed an additional shipment of our production order from Sentry Enterprises, setting the stage for the market introduction of their biometric multipurpose card for enterprise access.

IDEX Access platform solution seamlessly integrates the IDEX sensor and proprietary access operating system with a secure element. This integrated solution is highly scalable and enables easy integration and customization of third-party applets for various use cases across various industries, such as finance, healthcare, government services and employees.

Commercial conclusion

We continue to execute our strategic plan, both commercially and organizationally. With a portfolio of leading products and a robust business model featuring strong margins, we are well positioned for a profitable business. Our focus on innovation, efficiency, and financial operational optimization has enabled us to build a solid foundation for long-term success.

Financial comment

Revenue in the second quarter of 2024 was \$0.4 million, similar to the first quarter of 2024. Revenues in the second quarter continued to reflect the transition from our legacy components business to the deployment of our full IDEX biometric card solutions. We expect the revenues to begin to grow in the second half of 2024 as several of our card manufacturing partners are expected to complete full qualifications during the third quarter, enabling them to promote cards based on IDEX Pay to banks and issuers.

Gross profit margin was 40% in the second quarter of 2024, compared to 36% in the previous quarter. We continue working with our suppliers to reduce costs for the complete IDEX Pay and IDEX Access solutions. Margins vary between quarters based on product mix. We expect margins to trend higher when we reach volume production with our manufacturing partners.

Operating expenses, excluding the cost of materials, were \$6.1 million, including \$1.1 million in expenses related to restructuring, compared to \$6.1 million in the first quarter of 2024, and \$7.7 million in the second quarter of 2023. The Company continues to reduce expenses, and in March 2024 provided notice to 25 staff members. The company has now consolidated its engineering functions to the UK and has closed two engineering facilities in the US. These actions contribute to achieving operating expenses below \$2.5 million per quarter. The actions are expected to be completed by the end of the third quarter of 2024.

During the second quarter of 2024, we completed a financing with net proceeds of \$4.8 million from a private placement of shares to fund the company's commercialization phase. The offering also included matching warrants coverage that are exercisable at various times over the next 12 months.

Vince Graziani
Chief Executive Officer

IDEX Biometrics

About IDEX Biometrics

IDEX Biometrics is a global technology leader in biometric authentication solutions for smart cards, offering secure and convenient solutions for payments, access control, and digital identity. Through our patented and proprietary sensor technologies, integrated circuit designs, and software we make our biometric solutions unique and innovative, delivering secure, fast and seamless user experiences to customers worldwide. IDEX Biometrics partners with leading card manufacturers, technology companies and payment networks, bringing solutions to the market.

The IDEX Biometrics flexible technology platform supports a wide range of applications and use cases. Together with our partners, we provide end-to-end solutions to banks and other organizations seeking to launch their own biometric cards for payment or to support other authentication needs.

Business model and Strategy

Our commitment is to provide trusted proof of identity for all individuals. In an era where security and trust are paramount, our advanced biometric technology ensures that everyone, regardless of their background or circumstance, can rely on a secure and accurate means of confirming their identity, fostering inclusivity, and safeguarding personal information in an increasingly interconnected world.

We offer trusted biometric technology solutions that are scalable and meet the diverse needs of industries and applications. We are dedicated to market and consumer relevant innovation, research, and development, to provide resource optimized state-of-the-art biometric platforms.

IDEX Biometrics is uniquely positioned as a provider of completely decentralized authentication solutions for card-based fingerprint biometric sensing technology. The IDEX Biometrics technology was purpose-built for biometric payment and access smart cards in response to the highest security standards and other requirements of these markets, such as power harvesting, transaction speed, durability, and cost effectiveness. Our technology is based on the biological markers of a person's unique fingerprint and confirms the user's identity through a 'handshake procedure' with the payment terminal, access reader or mobile phone. The biometric card solution eliminates the need for less secure credentials such as passwords, pins or the many costly and cumbersome multifactor authentication methods used today.

IDEX Biometrics has evolved from a component company to an end-to-end solution company. With our own card operating system capabilities, the product offering supports additional market verticals, broadening the target markets and creating new market opportunities.

Global Market Trends and Regulatory Environment

IDEX Biometrics addresses large and well-established markets, with exposure to market megatrends as trusted identity is a top priority in payments and for enterprises. There is demand for secure online transactions and convenient multi factor authentication solutions.

Credentials are increasingly stored online, together with other user information. This exposes people, enterprises and society to new types of threats. The costs for cybercrimes are accelerating, especially considering the emerging capabilities of AI and deep fake technologies. We believe this is an alarming global trend representing an opportunity at scale for IDEX to address, as protection of individual identity and integrity is a rising concern in today's society, manifested by increasing focus from regulators, governments and corporations.

The regulatory landscape world-wide strives to enhance end-user control and improve data accessibility for consumers. EU has recently sharpened directives and regulations, bringing stricter enforcement of multi factor authentication among organizations, who must upgrade their current IT infrastructures and find the right balancing between frictionless customer experiences and stricter security measures.

US Cybersecurity and Infrastructure Security Agency are promoting multifactor authentication including biometrics as a key ingredient to raise the bar against cyber threats across businesses and in society. Similar initiatives and mandates can be seen among governments globally.

Within payments, EMVCo, a governing body in the industry, is now intensifying efforts for global standards for biometric payment cards. IDEX Biometrics is an engaged member and participates in EMVCo's industry expert group for biometric payment cards. IDEX is also an associate level member of the FIDO Alliance, a global industry association developing standards for password-less authentication.

Biometric smart cards provide multi-factor authentication by design. Biometric authentication, using unique physical characteristics is a solution that protects individuals and the society efficiently and represents an untapped market potential. The user's biometric data is encrypted and stored only on the card, making the biometric card the ultimate hack-resistant authentication device as it is never connected to the internet.

Market Opportunity and Target Markets

The IDEX Biometric unique biometric platform solution can be applied in multiple market segments using smart cards with the use cases of biometrics expanding to new segments. The company has three main target markets with an accelerating need for biometric identity solutions: banking and payment, enterprise security and public services. IDEX Biometrics is today a fintech leader in biometrics technology offering decentralized authentication solutions across payments and access control.

As the market matures and technology on cards gets more powerful, we expect the solution for different use cases will converge. Our biometric card technology can already be seen in solutions that combine physical and digital access. The abilities to attach

attributes related to ID and health records are emerging. Fiat and digital currencies could soon co-exist on the same card, and there are many other examples.

I - Payments

We see the market for biometric payment cards evolve in stages, with affluent consumers taking the role of early adopters. A product segment related to this is the metal card market of more than 40 million cards/year and a double-digit annual growth. As the IDEX biometric solution expands beyond metal and into the traditional market of payment cards, economy of scale will drive prices down and allow for biometric card services to become ubiquitous.

The global market for chip enabled payment cards is currently near 3 billion cards annually and estimated to be greater than 12 billion EMV cards in circulation today. The growth in the markets is driven by the rising adoption of contactless payments, increased use of digital payments and growing e-commerce.

II - Access Control

Investments in enterprise security continue to grow double digit and biometric technologies are quickly becoming necessities in solutions targeting access control and identity management. With growing cyber security threats, and higher potential liabilities, enterprises are stepping up their efforts to authenticate every person they let into their systems and onto their premises.

Biometric on-card authentication has proven to be the most secure and convenient solution for multi factor authentication. It is economically viable and reduces the risk for cloud-based data threats putting the user in total control of their own digital identity. In addition, the card form factor is ideal as it can also function as an employee identity badge and be visibly worn.

In compliance with reinforced cybersecurity and data privacy regulations, biometric identity solutions protect assets and secure access for enterprises, governments, and individuals, by removing the need for PINs and passwords. Biometric authentication cards enable decentralized biometric identification and meet the demand for secure identity solutions with use cases for biometric access solutions expanding. With the global cost for cybercrimes reaching \$8 trillion in 2023, secure access control solutions have become one of the highest priorities for CISO's and other decision makers.

Supply Chain and Operations

IDEX has an asset light, fabless business model, using external manufacturing partners for the fabrication, assembly and testing of its products. The majority of our card manufacturing partners are present in both payment and access.

The IDEX Biometrics operational strategy is to maximize efficiency and cost competitiveness by using industry standard design processes, incorporating verified high-volume components and materials, and outsourcing manufacturing to partners using established production processes.

Go-to-market Model

Customers of IDEX Biometrics are manufacturers of payment cards, access cards, and other products using fingerprint sensors as the key to prove identity. Our customers are part of a large ecosystem with a multiparty supply chain to reach the final customer. The ecosystem is different for payments and access. IDEX Biometrics therefore has a distinct engagement strategy to enable the eco system and have business relationships and go-to market models for various parties in the value chain. Our flexible solutions for smart card manufacturers, our implementation programs, and our user-friendly suite of enrollment solutions meet demands from various customer types and use cases, accelerating time to market.

Product Development and Innovation

The company has adopted to customer needs when developing products and solutions, focusing on a seamless user experience. Our industry leading solutions are software defined and we have the development expertise, plus over 200 patents, to fully support the end-to-end solutions recently certified.

Our vertical approach to product development covers the entire biometric smartcard technology stack from high level solution and system architectures, through secure biometric algorithms and software, down to the lowest level sensor and silicon hardware. Thanks to the combination of our large area sensor and its highly efficient, on-board image, biometric and security processor, we are able to achieve industry leading user experience and security.

Our biometric algorithms and software integrate a wide range of both proprietary and industry-standard cryptographic security functions for privacy and tamper protection, as well as implementing critical biometric enrollment, liveness detection and authentication features.

IDEX Pay is a manufacturer-agnostic end-to-end biometric smartcard solution, providing all the necessary biometric performance, functionality and security certifications required by payment schemes such as Mastercard and VISA. It enables our customers and partners to take their own card manufacturing processes and complete a fast-track certification by incorporating IDEX Pay technology and leveraging our certified smartcard reference design into their own card manufacturing lines.

The IDEX Pay biometric solution is offered with a suite of enrollment methods to enable issuers to deploy turnkey biometric activation and on-boarding solutions allowing users to enroll via their smartphone, with a dedicated device at home or in a branch.

The Mastercard certification of the IDEX Pay solution marked a major milestone in the development of our Biometric Software Platform for cards.

IDEX biometric software platform, IDEX Pay, and access, IDEX Access are built on the same biometric platform, serving two different markets. The solution can be layered with different applets to provide new functions and capabilities for supporting payment, crypto wallets, and other digital authentication solutions such as digital access. The full card solution from IDEX Biometrics is complete with hardware (sensor, secure element modules and all accompanying components) and software (OS, applets, SDKs). The OS developed by IDEX allows our customers to provide their own customized applet for application specific functions.

Therefore, sensitive biometric information is never communicated to third parties or stored in a connected database. We are committed to investing in patents and other intellectual property protection measures that ensure our products are, and remain, the leading solution in our target markets.

Sustainability

Providing secure authentication to the world through sustainable technology solutions, IDEX Biometrics is embedding Environmental, Social and Governance (ESG) practices into its business and operating model. IDEX Biometrics is embedding Environmental, Social and Governance (ESG) practices into its business and operating model. IDEX Biometrics company strategy for sustainability reporting is based on the United Nations Sustainable Development Goals (SDGs). This framework is part of our business and operating models, aimed at contributing to secure value, trust and predictability for our operations.

FINANCIAL REVIEW

Statements of profit and loss

IDEX Biometrics revenue amounted to \$0.4 million in the second quarter ended June 30, 2024. Sequentially, revenue increased 4% from the first quarter of 2024. Product revenue decreased 76% when compared to \$1.5 million in the second quarter 2023. In the second quarter of 2023 revenue largely originated from the two component customers at the time, while revenue in 2024 represents early-stage revenue from solution customers who are completing their certifications and preparing for biometric card launches on the IDEX Pay and IDEX Access solution platforms. This change reflects IDEX's strategy to transition from a component supplier to a full solutions provider.

Gross profit margin on products sold was 40% of product revenue⁶ in the second quarter of 2024, compared to 26% in the corresponding period of 2023. Improved gross margin reflects the shift in product mix toward our complete payment card solution in 2024.

Compensation and benefits expenses amounted to \$2.5 million in the second quarter of 2024 compared to \$4.0 in the second quarter of 2023. The decrease is due to staff reductions implemented in both 2023 and 2024. Further reductions of staff have been implemented during the first half of 2024 and expect to lower payroll expenses in the third quarter of 2024 vs the second quarter of 2024.

Share-based compensation expense, which is non-cash, was a gain of \$0.1 million in the second quarter of 2024, compared to \$0.3 million expense recorded for the second quarter of 2023. Share-based compensation expense amounted to \$0.2 million for the first six months of 2024, in contrast to \$0.7 million recorded for the first six months of 2023. The second quarter gain was related to the forfeiture of subscription rights held by terminated staff members. In general, quarterly variances in share-based compensation are attributable to the number of subscription rights vesting in the period, and changes in the share price which influences the accrual of estimated employer's tax that will be due if/when a subscription right is exercised.

The company continues to focus on reducing expenses and during the second quarter reduced its full time equivalent (FTE) to 59 at the end of June 2024 from 80 at the end of March 2024, and 99 on June 2023 IDEX is also consolidating its engineering functions to the UK and has closed two facilities in the US. These actions are contribute to reduce operating expense level to \$2.5 million per quarter. All actions are expected to be completed by the end of the third quarter of 2024. Restructuring expenses incurred during the second quarter of 2024 included \$0.7 million related to facility expense exit costs for the two facilities in the US and \$0.4 million for severance payments.

⁶ The gross profit and gross profit margin figures are alternative performance measures (APM) under IFRS. The gross profit and gross profit margin are measured as Revenue from products less the Cost of materials, net of inventory change. The cost of materials is the purchased cost of manufactured finished goods sold to customers.

Research and development (R&D) expenses include the external costs of product development, prototype manufacturing, and pre-release product testing. The cost of employees engaged in R&D is included in Compensation and benefits. R&D expenses are reported net of earned government grants in support of R&D activities. Net R&D expenses amounted to \$0.6 million in the second quarter of 2024, compared to 0.9 million the second quarter of 2023. Net R&D expenses amounted to \$1.2 million in the first six months of 2024 in contrast to \$1.8 million in the first six months of 2023. The reduction reflects the maturing of the products and ensuing reduced R&D activity.

Other operating expenses, primarily expenses associated with marketing, sales, and administrative activities, amounted to \$1.9 million in the second quarter of 2024, in contrast to \$2.5 million in the second quarter of 2023, primarily due to lower insurance, information technology and software expenses. Other operating expenses amounted to \$3.8 million in the first six months of 2024, in contrast to \$4.5 million in the first six months of 2023, on similar factors to the quarter variation.

Amortization and depreciation and impairment charges⁷ amounted to \$1.1 million in the second quarter of 2024, in contrast to \$0.4 million for the second quarter of 2023 and \$0.3 million for the first quarter of 2024. The amount in the second quarter of 2024 included impairment of right to use assets (leasehold agreements) amounting to \$0.7 million. Amortization and depreciation and impairment charges amounted to \$1.5 million in the first six months of 2024, in contrast to \$0.7 million for the first six months of 2023.

Net financial items amounted to expense of \$0.7 million in the second quarter of 2024, in contrast to expense of \$0.1 million recorded in the second quarter of 2023. In the second quarter of 2024, the convertible debt that was taken up in December 2023 accounted for \$1.5 million expense, partly offset by favorable value change on the warrants issued in the second quarter amounting to \$0.7 million. Net financial items amounted to expense of \$0.2 million in the first six months of 2024, compared to an income of \$0.1 million in the first six months of 2023. The convertible debt amounted to expense of \$0.8 million in the first half of 2024, offset by favorable value change on the warrants amounting to \$0.7 million. Other financial items were insignificant.

IDEX Biometrics operates at a loss and has a substantial tax loss carryforward position in Norway. The company has not recognized any deferred tax assets in the Statements of Financial Position.

Net loss in the second quarter of 2024 amounted to \$6.9 million, representing a loss per share of \$0.02. The net loss in the second quarter of 2023 was \$7.4 million representing a loss per share of \$0.01. Net loss in the first six months of 2024 amounted to \$12.3 million, representing a loss per share of \$0.04, in contrast to a net loss of \$14.7 million in the first six months of 2023, representing a loss per share of \$0.01.

⁷ Under IFRS 16 Leases, leased assets are capitalized, with corresponding assets and liabilities recorded on the Statements of financial position. The right to use assets is depreciated over the lease period. The notional interest on the liability is report-ed as financial cost.

Statements of Cash Flows

The company incurred an operating cash outflow of \$5.0 million in the second quarter of 2024, in contrast to an operating cash outflow of \$7.1 million in the second quarter of 2023. The decreased year-over-year cash outflow in the second quarter resulted from a lower net loss in the periods and reduced working capital requirements.

The primary operating cash items are the operating losses in each period, less non-cash expenses, including share-based compensation, depreciation and amortization. Net working capital varies between quarters, mainly due to the timing of shipments, collections from customers, receipt of inventoried materials, and disbursements to vendors.

Capital expenditures amounted to an inflow of \$237 thousand in the second quarter of 2024 due to sale of equipment and machinery no longer in use. This in contrast to capital outflow of \$190 thousand for the second quarter of 2023.

Total cash flow from financing activities amounted to a net inflow of \$3.8 million in the second quarter of 2024, in contrast to an inflow of \$10.8 million in the second quarter of 2023. The main inflow in the second quarter of 2024 was the private placement conducted on May 15, 2024, resulting in a net inflow of \$4.8 million.

Statements of Financial Position

The largest assets held on the company's Statements of financial position as of June 30, 2024, were inventory of \$6.3 million, and cash of \$2.0 million, representing 43% and 14% of total assets, respectively. Total intangible assets are acquired IP and goodwill, amounting to \$1.7 million. Fixed assets amount to \$1.1 million.

IDEX Biometrics develops intellectual property and has incurred product development costs. The value of self-developed IP is not recorded on the Statements of financial position, because the IP does not satisfy accounting criteria for capitalization.

Tangible fixed assets, including the right to use value of leased assets, net of accumulated depreciation, amounted to \$1.2 million as of June 30, 2024, compared to \$3.2 million as of June 30, 2023, and \$2.7 million at December 31, 2023. Right to use leased assets were impaired by \$0.7 million in the second quarter, due to restructuring of the company's facilities in the US. Other than right to use leased assets, the Tangible fixed assets are comprised of scientific and test equipment, engineering tools, leasehold improvements, office equipment, and furniture with useful lives of three to seven years.

Inventory amounted to \$6.3 million as of June 30, 2024, compared to \$6.5 million as of June 30, 2023, and \$6.4 million as of December 31, 2023. IDEX Biometrics is a fabless developer of semiconductor-based products, and the manufacturing operations are outsourced. Inventory consists of raw materials (primarily semiconductor components and substrates), work-in-progress (primarily incomplete assemblies) and finished goods (completed fingerprint sensing devices available for sale). A large share of the inventories is physically located at the contract manufacturing partners' sites.

Customer accounts receivable amounted to \$1.1 million as of June 30, 2024, compared to \$1.8 million as of June 30, 2023, and \$1.0 million as of December 31, 2023. The decrease

in accounts receivable was the result of lower sales in 2024. The amounts are net of reserves for bad debt. IDEX has requested an arbitration at the Oslo Chamber of Commerce concerning a receivable from a customer who has not yet paid. The possible loss for IDEX depends on the outcome of the case and is difficult to estimate reliably. The receivable is held a best estimated value.

Total short-term liabilities amounted to \$11.1 million as of June 30, 2024, compared to \$6.0 million as of June 30, 2023, and \$12.4 million as of December 31, 2023. The year-over-year increase is due to the convertible debt taken up in December 2023. In the first six months of 2024, the company has made three term payments and two accelerated amortization payments on the principal of the convertible loan.

Net working capital (i.e., short-term assets, excluding cash, less short-term liabilities, excluding convertible loan) amounted to \$6.6 million as of June 30, 2024, \$4.7 million as of June 30, 2023, and \$5.2 million as of December 31, 2023.

Equity amounted to \$2.5 million as of June 30, 2024, in contrast to \$19.6 million as of June 30, 2023, and \$11.3 million as of December 31, 2023. The changes are primarily the result of the incurred loss and net of private placements in the second quarter of 2024 amounting to net \$4.8 million combined.

Liquidity

The cash balance amounted to \$2.1 million as of June 30, 2024, in contrast to \$11.0 million as of June 30, 2023, and \$11.4 million as of December 31, 2023.

The company's balance sheet solvency, defined as the value of cash plus accounts receivable, less short-term liabilities, was negative \$7.0 million as of June 30, 2024. The amount includes the convertible bond liability and the outstanding warrants from the private placement in the second quarter. The bond has a term greater than 12 months but is classified as short-term because it may be converted to equity at any time. The balance sheet solvency amounted to \$7.4 million as of June 30, 2023, and \$0.9 million as of December 31, 2023. The board is taking measures to secure adequate liquidity going forward.

Going concern

The Company's liquidity is constrained and as of June 30, 2024 more than half of IDEX's share capital was lost. Key shareholders have stated their continued support of the Company and interest in providing additional funding, because of the momentum evident in the biometrics card market. The Company is in the process of obtaining a short-term liquidity loan, expected to be finalized soon. The going concern assumption has been applied in the preparation of this interim report.

August 14, 2024

The Board of Directors of IDEX Biometrics ASA

CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

Amounts in USD 000s	Note	Quarters		YTD	YTD	Full year
		Q2 2024	Q2 2023	2024	2023	2023
Operating revenue						
Product revenue	4	275	1,463	647	2,704	4,131
Service and other revenue	4	110		110		8
Total revenue		385	1,463	757	2,704	4,138
Operating expenses						
Cost of materials, net of inventory change		233	1,145	470	2,059	3,908
Compensation and benefits	5	2,531	3,968	5,680	8,376	14,305
Research and development	6	633	853	1,228	1,786	2,393
Other operating expenses	7	1,863	2,462	3,834	4,517	8,743
Amortization, depreciation and impairment	8	1,100	403	1,482	743	1,635
Total operating expenses		6,359	8,832	12,693	17,480	30,986
Loss from operations		(5,974)	(7,369)	(11,936)	(14,776)	(26,847)
Financial income	9	75	130	1,265	328	842
Financial cost	9	769	235	1,416	259	639
Loss before tax		(6,667)	(7,474)	(12,087)	(14,707)	(26,644)
Income tax benefit (expense)	10	(2)	30	(2)	25	16
Net loss for the period		(6,669)	(7,443)	(12,089)	(14,681)	(26,629)
Loss per share, basic and diluted	11	(0.02)	(0.01)	(0.04)	(0.01)	(0.11)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in USD 000s	Quarters		YTD	YTD	Full year
	Q2 2024	Q2 2023	2024	2023	2023
Net loss for the period	(6,669)	(7,443)	(12,089)	(14,681)	(26,629)
Foreign currency translation adjustment	36	(205)	104	(412)	(436)
Total comprehensive income (loss) for the period, net of tax	(6,633)	(7,649)	(11,986)	(15,094)	(27,065)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in USD 000s	Note	June 30, 2024	June 30, 2023	December 31, 2023
Assets				
Non-current assets				
Goodwill		968	968	968
Intangible assets		772	1,249	1,011
Total intangible assets		1,740	2,217	1,979
Property, plant and equipment		374	1,087	812
Right-of-use assets		746	2,083	1,779
Non-current receivables		81	56	81
Total non-current assets	8	2,941	5,443	4,651
Current assets				
Prepaid expenses		1,235	1,789	648
Inventory	13	6,308	6,466	6,384
Accounts receivable, trade		1,139	1,055	979
Accounts receivable, other		917	1,373	949
Cash and cash equivalents		2,057	10,955	11,352
Total current assets		11,657	21,638	20,312
Total assets		14,598	27,081	24,962
Equity and liabilities				
Equity				
Share capital		10,591	24,831	25,955
Share premium		4,611	13,102	2,118
Share-based payment		25,035	24,301	24,858
Foreign currency translation effects		(11,964)	(12,044)	(12,068)
Capital reduction reserves		316,341	287,500	300,500
Accumulated loss		(342,119)	(318,082)	(330,030)
Total equity	12	2,495	19,607	11,334
Non-current liabilities				
Non-current lease liabilities		968	1,521	1,238
Total non-current liabilities		968	1,521	1,238
Current liabilities				
Accounts payable		910	993	688
Current lease liabilities		596	619	624
Public duties payable		265	507	283
Interest-bearing loans	14	4,169	-	5,076
Other current financial liabilities	14	3,996	-	3,545
Other current liabilities		1,199	3,835	2,174
Total current liabilities		11,135	5,954	12,390
Total liabilities		12,103	7,474	13,628
Total equity and liabilities		14,598	27,081	24,962

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in USD 000s	Note	Share capital	Share premium	Share based payment	Foreign currency translation effects	Capital reduction reserve	Accumulated loss	Total equity
Balance at January 1, 2024		25,955	2,118	24,858	(12,068)	300,500	(330,030)	11,334
Share issuance	12	471	4,344	-	-	-	-	4,816
Share capital reduction	5,7,12	(15,841)	-	-	-	15,841	-	-
Warrant issuance	12	-	(1,851)	-	-	-	-	(1,851)
Share-based compensation	5,7,12	5	-	177	-	-	-	182
Loss for the period		-	-	-	-	-	(12,089)	(12,089)
Other comprehensive income		-	-	-	104	-	-	104
Balance at June 30, 2024		10,591	4,611	25,035	(11,964)	316,341	(342,119)	2,495
Balance at January 1, 2023		22,762	4,036	23,576	(11,632)	287,500	(303,401)	22,841
Share issuance	12	2,020	8,921	-	-	-	-	10,942
Share-based compensation	5,7,12	48	144	725	-	-	-	917
Loss for the period		-	-	-	-	-	(14,681)	(14,681)
Other comprehensive income		-	-	-	(412)	-	-	(412)
Balance at June 30, 2023		24,831	13,102	24,301	(12,044)	287,500	(318,082)	19,607
Balance at January 1, 2023		22,762	4,036	23,576	(11,632)	287,500	(303,401)	22,841
Share issuance	12	3,128	11,009	-	-	-	-	14,137
Share-based compensation	5,7,12	65	73	1,283	-	-	-	1,421
Loss for the period		-	-	-	-	-	(26,629)	(26,629)
Transfer of share premium		-	(13,000)	-	-	13,000	-	-
Other comprehensive income		-	-	-	(436)	-	-	(436)
Balance at December 31, 2023		25,955	2,118	24,858	(12,068)	300,500	(330,030)	11,334

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in USD 000s	Note	Quarters		YTD	YTD	Full year
		Q2 2024	Q2 2023	2024	2023	2023
Operating activities						
Loss before tax		(6,667)	(7,474)	(12,087)	(14,707)	(26,644)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>						
Amortization, depreciation and write-down expense	8	1,100	403	1,482	743	1,635
Share-based compensation expense	5	(83)	323	177	725	1,283
Change in value of derivate		154		(764)	-	-
Financial expenses (income)		616	(259)	949	(427)	(434)
<i>Other operating cash flows:</i>						
(Increase) decrease in inventories		119	(1,146)	76	(2,019)	(1,937)
(Increase) decrease in accounts receivables		234	185	(71)	294	370
Increase (decrease) in accounts payable		171	(55)	222	(547)	(852)
(Increase) decrease in other working capital items		(528)	909	(1,637)	(117)	(466)
Interest paid	9	(154)	(45)	(252)	(69)	(5)
Change in income taxes		(2)	21	(2)	16	46
Net cash flow used in operating activities		(5,040)	(7,137)	(11,909)	(16,107)	(27,005)
Investing activities						
(Purchases) sales of property, plant and equipment	8	237	(190)	222	(173)	(243)
Change in non-current receivables		(1)	4	(1)	18	(6)
Interest received	9	12	53	73	144	254
Net cash flow used in investing activities		249	(133)	295	(11)	4
Financing activities						
Net proceeds from issuance of shares		4,882	10,952	4,887	11,134	14,275
Proceeds from borrowings	14	-	-	-	-	8,621
Repayments of borrowings	14	(879)	-	(2,216)	-	-
Paid, not registered capital		(26)	-	-	-	-
Payments on lease liabilities	8	(173)	(108)	(348)	(190)	(671)
Payment related to a financed asset purchase		-	-	-	-	-
Net cash flow from financing activities		3,805	10,844	2,323	10,943	22,225
Net change in cash and cash equivalents		(986)	3,574	(9,291)	(5,175)	(4,776)
Effect of foreign exchange rate changes		3	(0)	(3)	5	3
Opening cash and cash equivalents balance		3,040	7,381	11,352	16,124	16,124
Cash and cash equivalents at period end		2,057	10,955	2,057	10,955	11,352

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 The Company and its business

IDEX Biometrics specializes in the design, development, and sale of fingerprint authentication solutions. The Company's fingerprint authentication solutions are used primarily in contactless smart cards, including financial payment cards, access control cards, and card-based devices for the storage of digital currencies. The Company is a public limited liability company incorporated and domiciled in Norway. The address of the head office is Dronning Eufemias gate 16 at NO-0191 Oslo, Norway. There is one class of ordinary (i.e., common) shares, and all shares have equal rights. The Company's Ordinary Shares are listed on Euronext Oslo Børs, the stock exchange in Oslo, Norway, under the ticker IDEX.

IDEX Biometrics has wholly owned subsidiaries in the United States, the United Kingdom, and China. The subsidiaries provide technical development services, sales facilitation, marketing assistance, and/or logistics processing for the parent company.

2 Basis of preparation and accounting policies

These Consolidated interim financial statements for the quarter ended June 30, 2024, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and have not been subject to audit. These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards as adopted by the EU. The accounting policies applied herein are consistent with those applied in the preparation of the annual financial statements for the year ended December 31, 2023. Amounts presented may not sum precisely due to rounding.

IDEX Biometrics operates in one operating segment, fingerprint imaging and recognition technology, and these interim financial statements present the full consolidation of the accounts of the Company and all subsidiaries, reflecting this operational focus.

The going concern assumption has been applied in the preparation of the consolidated financial statements. Going concern assumes the realization of assets and liquidation of liabilities in the normal course of business.

IDEX Biometrics has incurred significant operating losses and negative cash flows during the development stage of the business. Net equity amounted to \$2.5 million and the balance sheet solvency was negative as of June 30, 2024. The Company has implemented measures to significantly reduce operating expenses, mainly in the technical functions in the US, while maintaining the customer support functions and supply chain capabilities. The existing cash does not fund the Company's operating expenses and capital expenditures requirements for the next twelve months. While the Company has been successful in the past in raising funds through private placements of shares and issuance of convertible debt, there is no assurance that IDEX Biometrics will be successful in raising capital the future. There is significant doubt over the Company's ability to continue as a going concern. The Company has been successful in the past in raising capital through private placements of equity. Key shareholders have stated their continued support of the company and interest in providing additional funding, because of the momentum evident in the biometrics card market. Acknowledging the significant doubt, the board has on balance decided to apply the going concern assumption.

3 Risks

It is the duty of the Board of Directors to present the principal risks facing the Company in the conduct of its business. The Company's major risk is its business risk, broadly meaning risks to its ability to generate revenue and earn profit. Future revenue generation will depend, among other such risks, on the Company's ability to market and profitably deliver products on a sustained basis, its ability to raise sufficient capital to pursue its business strategies, its ability to legally protect its intellectual property rights, its ability to scale its operations to

maximize efficiencies, and its ability to retain current employees and to attract new employees. The ability to generate future revenue is also highly dependent on the pace of development of the market for biometric payment cards, which remains in an early stage.

See note 2 regarding the going concern risk.

The Company's assets primarily consist of cash, working capital, and intangible assets. The Company maintains liquidity by investing available funds in readily accessible, floating-interest rate bank accounts. The Company's exposure to currency exchange rate changes is managed by maintaining an appropriate mix of cash deposits in the various currencies it utilizes for its operations. The Company does not engage in any active hedging strategies. The U.S. Dollar is the dominant currency of the Company's receivables and payables.

As of June 30, 2024, the Company had a convertible debt recognized at \$7.0 million, ref note 14. The original loan amount was NOK 100 million, and the loan is denominated in NOK. The repayment schedule of the convertible debt and accrued interest is 21 bi-monthly term payments. The lender can request up to two advanced installments to be paid in each period between the planned term dates. The debt thus represents a NOK/USD currency exchange rate risk, and a cash flow risk. The currency risk is not hedged. The Company may elect to make any and all term payments in shares, reducing the liquidity risk.

The conversion option is accounted for as an embedded derivative recognized separately from the host contract as a financial liability at fair value through profit or loss. The liability will eventually amount to nil after the final term payment on the loan. The depreciation of the value of the derivative, which is a non-cash item, is recognized as a financial income. Each period amount may be very volatile, because at the interim balance sheet dates, the value of the derivate will depreciate or appreciate with share price, share volatility and risk-free interest rate, as well as the NOK/USD exchange rate. This risk has not been hedged.

4 Revenue from contracts with customers

The Company records revenue from the sale of biometric fingerprint sensor products and the delivery of technical development and other engineering services to its customers. Product-related revenue is recognized upon shipment, primarily on Incoterms EXW (i.e., ex-works) basis.

There were no contract asset or contract liability balances at June 30, 2024, or December 31, 2023.

IDEX Biometrics categorizes customers by geographic region utilizing the addresses to which IDEX Biometrics invoices its products or services. The Company's products and service revenue by geographic region is as follows:

Amounts in USD 1,000	Quarters		YTD		Full year
	Q2 2024	Q2 2023	2024	2023	2023
EMEA	14	983	106	1,803	3,029
Americas	81	474	198	893	975
Asia-Pacific	181	6	343	8	126
Product revenue	276	1,463	647	2,704	4,131
EMEA	-	-	-	-	2
Americas	41	-	41	-	-
Asia-Pacific	69	-	69	-	6
Service and other revenue	110	-	110	-	8
Total revenue	386	1,463	758	2,704	4,138

5 Compensation and benefits

Amounts in USD 1,000	Quarters		YTD	YTD	Full year
	Q2 2024	Q2 2023	2024	2023	2023
Salary, payroll tax, benefits, other	2,625	3,655	5,514	7,661	13,026
Share-based compensation	(95)	313	166	715	1,280
Compensation and benefits	2,531	3,968	5,680	8,376	14,305

Compensation and benefit expenses consist of costs for direct employees of the Company. Individual contractors are classified as Research and development expenses or Other operating expenses, as applicable.

The gain on share-based compensation in the second quarter of 2024 is a result of staff reductions. Employees' unvested subscription rights terminate immediately, and prior period expense is reversed. See note 9.

The table below sets forth the number of employees and individual contractors by their function measured in full-time equivalents (FTE). Certain individuals are contractors because they live in countries in which the Company does not have a business presence.

Full-time equivalents (FTEs) by function	June 30, 2024		June 30, 2023		December 31, 2023	
	Employees	Contractors	Employees	Contractors	Employees	Contractors
Research and development	30	5	61	7	53	5
Marketing and sales	2	10	5	12	4	11
General and administrative	4	1	6	2	5	2
Supply chain and distribution	7	-	7	-	7	-
Total	43	16	79	20	69	18

IDEX Biometrics presents operating expenses by *nature*, in contrast to *function*. Accordingly, Compensation and benefits expenses includes the compensation and benefit costs for all employees. Cost of materials, net of inventory change, Research and development expenses, and Other operating expenses do not include the cost of personnel assigned to those activities.

6 Research and development expenses

Research costs are expensed when incurred. Development costs are expensed unless they qualify for capitalization. The Company's patents and other intellectual property rights created are capitalized and recorded on the Statement of financial position only if they satisfy the criteria for capitalization. The Company has not capitalized development costs in any of the periods presented. Development costs related to the creation of intellectual property have been expensed when incurred.

Amounts in USD 1,000	Quarters		YTD	YTD	Full Year
	Q2 2024	Q2 2023	2024	2023	2023
Gross R&D expenses	633	853	1,228	1,786	3,495
Government grants credited to cost	-	-	-	-	(1,102)
Net R&D expenses	633	853	1,228	1,786	2,393

Government support is recognized when it is probable the Company will qualify and receive support, and the amount can be measured reliably. Norwegian SkatteFUNN grants are recorded in the fourth quarter each year.

7 Related party transactions

Chair of the board, formerly board member, Morten Opstad, is a partner in the law firm Ræder Bing advokatfirma AS. Ræder Bing has provided legal services to the Company resulting in charges of \$80

thousand during the first six months of 2024. Mr. Opstad's work on behalf of the Company beyond his board duties is invoiced by Ræder Bing.

The former chair of the Board of Directors, Lawrence J. Ciaccia, provided consulting services to the Company for a fixed fee of \$50 thousand per year. The service agreement was ended April 30, 2024.

In connection with the private placement on May 15, 2024, the Company entered into a share lending agreement with certain shareholders in order to facilitate settlement of the new shares in the private placement. As a fixed fee for the share lending, each lender received a fee equaling 5% per annum on the subscription price multiplied by the number of borrowed shares lent by the respective lender. The fees paid amounted to \$5.5 thousand to Mr. Robert Keith and \$2.6 thousand to Sundt AS.

Following approval by the annual general meeting (AGM) on May 16, 2024, IDEX has paid the board and committee remuneration for the period from the 2023 AGM to the 2024 AGM.

8 Non-current assets

Amounts in USD 1,000	Goodwill	Intangible assets	Property, plant and equipment	Right-of-use assets	Non-current receivables	Total non-current assets
Balance at January 1, 2024	968	1,011	812	1,779	81	4,651
Additions	-	-	(222)	-	-	(222)
Settlements	-	-	-	-	-	-
Depreciation and amortization	-	(239)	(214)	(308)	-	(760)
Impairment	-	-	-	(722)	-	(722)
Effects of changes in foreign currency	-	-	(2)	(4)	0	(6)
Balance at June 30, 2024	968	772	374	746	81	2,941
Balance at January 1, 2023	968	1,488	1,107	1,545	73	5,181
Additions	-	-	201	846	-	1,047
Settlements	-	-	-	-	(17)	(17)
Depreciation and amortization	-	(239)	(201)	(304)	-	(743)
Effects of changes in foreign currency	-	-	(20)	(4)	-	(25)
Balance at June 30, 2023	968	1,249	1,087	2,083	56	5,443
Balance at January 1, 2023	968	1,488	1,107	1,545	73	5,181
Additions	-	-	243	844	25	1,112
Settlements	-	-	-	-	(17)	(17)
Depreciation and amortization	-	(477)	(548)	(610)	-	(1,635)
Effects of changes in foreign currency	-	-	10	-	-	11
Balance at December 31, 2023	968	1,011	812	1,779	81	4,651

Acquired intangible assets and intellectual property rights have been capitalized at the time of acquisition. These assets are depreciated over their respective economic lives. The major items depreciate over 9.5 years and 17 years from acquisition, through July 2024 and to the end of 2030, respectively. Goodwill is not amortized but is tested for impairment at least annually or more frequently, if circumstances merit. The Company is one cash generating unit for purposes of impairment testing. Tangible fixed assets are comprised of scientific and test equipment, engineering tools, leasehold improvements, office equipment, and furniture with useful lives of three to seven years.

In the second quarter, the Company recorded an impairment amounting to USD 722K on right to use assets, wiz. leasehold properties.

9 Financial items

Amounts in USD 1,000	Quarters		YTD	YTD	Full year
	Q2 2024	Q2 2023	2024	2023	2023
Interest income	13	53	73	144	254
Currency exchange gain	62	78	609	185	588
Gain on embedded derivative	-	-	583	-	-
Total financial income	75	130	1,265	328	842
Interest expenses on lease liabilities	25	45	53	69	130
Interest expenses	521	-	1,111	-	5
Currency exchange loss	106	190	252	190	503
Loss on embedded derivative	116	-	-	-	-
Total financial expense	769	235	1,416	259	639

10 Income tax expense

The Company has significant accumulated tax losses. No deferred tax asset associated with these accumulated tax losses has been recorded on the Statement of financial position, as there is not sufficient evidence that taxable profit will be generated, against which the unused tax losses could be applied. There are no restrictions as to how long tax losses may be carried forward in Norway.

11 Loss per share

	Quarters		YTD	YTD	Full year
	Q2 2024	Q2 2023	2024	2023	2023
Profit (loss) attributable to the shareholders (USD 1,000)	(5,420)	(7,443)	(12,300)	(14,681)	(26,629)
Weighted average basic number of shares	291,573,230	258,472,963	285,621,113	239,033,571	253,042,411
Weighted average diluted number of shares	292,342,330	259,019,502	286,645,376	239,647,686	254,080,521
Profit (loss) per share, basic and diluted (USD)	(0.02)	(0.03)	(0.04)	(0.06)	(0.11)

The profit or loss per share is calculated by dividing the profit (loss) for the period by the weighted average number of ordinary shares outstanding for the period. Loss per share is calculated per basic share (i.e., without consideration for the anti-dilutive effect of exercisable subscription rights)

12 Shares and subscription rights

On 10 January 2024, a 5:1 share consolidation (reverse split) took effect. This is reflected in the table below. The subscription rights scheme has adjustment clauses so that the number of subscription rights and the exercise prices are adjusted by the same ratio.

Number of financial instruments	Incentive subscription rights	Warrants	Shares
Balance at January 1, 2024	94,834,662		1,397,010,650
Jan 10: After 5:1 share consolidation	18,966,932		279,402,130
May 15: Share issue		27,940,213	27,940,213
Jun 19: Share issue		5,393,120	5,393,120
Employee Stock Purchase Plan			358,525
Granted incentive subscription rights	590,900		
Mar 20: Exercised incentive subscription rights	(365,900)		365,900
Expired/forfeited incentive subscription rights	(5,254,307)		
Balance at June 30, 2024	13,937,625	33,333,333	313,459,888
Balance at January 1, 2023	81,106,631		1,166,326,584
May 24: Share issue			116,897,492
Jun 16: Share issue			30,161,332
Employee Stock Purchase Plan			2,648,336
Granted incentive subscription rights	3,408,750		
Expired/forfeited incentive subscription rights	(1,572,605)		
Balance at June 30, 2023	82,942,776		1,316,033,744
Balance at January 1, 2023	81,106,631		1,166,326,584
May 24: Share issue			116,897,492
Jun 16: Share issue			30,161,332
Nov 20: Share issue			78,651,685
Employee Stock Purchase Plan			4,583,949
Granted incentive subscription rights	22,475,200		
Exercised incentive subscription rights	(389,608)		389,608
Expired/forfeited incentive subscription rights	(8,357,561)		
Balance at December 31, 2023	94,834,662		1,397,010,650

On May 15, 2024, IDEX conducted a private placement of 33,333,333 shares at NOK 1.65 per share, raising gross proceeds of NOK 55 million or USD 5.1 million. In addition, the subscribers received one warrant at NOK 1.65 per share subscribed to. The warrants are exercisable in quarterly windows after issue of interim reports and expire fourteen days after the interim report for the first quarter of 2025 has been issued. The private placement was divided into two tranches and was approved by an extraordinary general meeting on June 19, 2024.

From time to time, on a discretionary basis, IDEX Biometrics awards subscription rights for the purchase of shares to employees and individual contractors, pursuant to the terms of an annual subscription rights program approved by shareholders at the annual general meeting (AGM). Such subscription rights are denominated in NOK. Unless specifically resolved otherwise by the Board of Directors, 25% of each grant of subscription rights vests per year, and the grant expires on the fifth anniversary of the AGM at which the program was approved. Unvested subscription rights terminate on the holder's last day of employment or termination of contract. Vested subscription rights may be exercised up to 90 days after such termination date. The weighted average exercise price of outstanding incentive subscription rights on June 30, 2024, was NOK 7.14 per share.

The fair value at grant date of a subscription right is expensed over the vesting period of each tranche of the grant. The fair value of each tranche of a subscription right is determined using a Black-Scholes option pricing model, based on share prices quoted on the Oslo Børs and applicable volatility and interest rates. The Company's social security tax obligations related to share-based remuneration are recorded on each balance sheet date, based on the earned value of the subscription rights outstanding, and the adjustment to the accrued balance is recorded through profit and loss.

The Company operates an employee stock purchase plan (ESPP), whereby employees may elect to invest a portion of their after-tax compensation in newly issued ordinary shares. Employees make payroll contributions of up to 20% of gross salary to the ESPP over the course of six-month contribution periods, March-August, and September-February. At the end of each period, they purchase shares at a 15% discount to the lesser of the share price at the beginning and ending of the contribution period. The cost of the ESPP is amortized over each contribution period. The cost is based on the contribution amount, the 15% discount, and a Black-Scholes option pricing model at the beginning of the period. The Company suspended the ESPP effective March 1, 2024.

13 Inventory

Amounts in USD 1,000	June 30, 2024			June 30, 2023			December 31, 2023		
	Cost	Reserves	Net	Cost	Reserves	Net	Cost	Reserves	Net
Raw Materials	3,671	-	3,671	3,570	-	3,570	3,795	-	3,795
Work in progress	249	-	249	1,118	-	1,118	102	-	102
Finished Goods	2,435	(46)	2,389	1,922	(144)	1,778	3,356	(869)	2,487
Total Inventory	6,355	(46)	6,308	6,610	(144)	6,466	7,254	(869)	6,384

Inventory, consisting of raw materials (primarily semiconductor components and substrates), work-in-progress, and finished goods (completed fingerprint sensing devices available for sale), is valued at the lower of cost or net realizable value, reflecting reserves based on aging and obsolescence until physical disposal.

The finished goods inventory is comprised of current products for sale, and the raw materials at hand are meant for use in the current products offered. Shelf life is practically unlimited. Due to long cycle times of components and at the manufacturing service providers, IDEX has chosen to hold components and finished products in order to enable delivery according to customer requirements.

14 Financial instruments

Convertible Bond

Amounts in USD 1,000	Interest rate	Maturity	June 30, 2024	June 30, 2023	December 31, 2023
Convertible bond	6%	Bimonthly Amortization until June 28, 2027			
Convertible debt			4,169	-	5,076
Embedded derivative			2,807	-	3,545
Total:			6,977	-	8,621

In December 2023, IDEX Biometrics entered into a convertible debt financing agreement. The Company issued NOK 100 million, or \$9.9 million in convertible bonds at 6.0% interest p.a. The loan is denominated in NOK. The Company received NOK 92 million after deduction of the issue discount. The debt will be redeemed every two months in 21 equal installments of NOK 4.8 million plus accrued interest. Transactions and balance amounts are reported in USD at the exchange rates at the respective dates.

The bond holder may elect to convert the outstanding loans into IDEX ordinary shares at any time prior to repayment, originally at a conversion price of NOK 3.665. The conversion price was reset as of May 15, 2024 to NOK 1.65 due to the private placement of shares on that date. The Company may elect to pay the interest payments, principal payments, or both with shares in lieu of cash payments. Any repayment in shares will be converted at 90% of the prevailing market price of the shares. The lender has the right to request advancement of up to two term payments between each scheduled term, and may request to defer one or more term payment until the original final maturity date.

The Company does not have an unconditional right to defer payment beyond twelve months. Accordingly, both the host contract and the embedded derivative are classified as current liabilities. The conversion option was accounted for as an embedded derivative and was recognized separately from the host contract as a financial liability at fair value through profit or loss. The host contract is recognized at amortized cost. At inception, the Company determined the value of the conversion option to be NOK 36.8 million, or \$3.6 million

and the residual value of the host contract to be NOK 51.2 million, or \$5.1 million, including NOK 4.0 million, or \$0.4 million transaction costs.

The financial cost for the host contract is the effective interest of the cash flow. If and when the lender requests advanced or deferred term payments, the cash flow changes, and the host contract liability changes. Such valuation change is recognized as a financial item. The value change of the derivative is recognized as a financial item. The derivative liability will eventually be nil, when the loan has been settled, but will vary between periods. The key drivers of the fair value of the derivative are the remaining debt, the share price and the remaining duration. In the first six months of 2024, IDEX recognized net financial expenses amounting to \$0.8 million related to the convertible debt. Following a gain in the first quarter of 2024, the financial expense on the loan in the second quarter amounted to \$1.5 million.

Warrants

Amounts in USD 1,000	Exercise price	Expiry	June 30, 2024	June 30, 2023	December 31, 2023
Warrants					
Warrants	NOK 1.65	May 29, 2025	1,188		
Total:			1,188	-	-

See note 12 regarding issue of warrants on May 15 and June 19 as part of the private placement on May 15, 2024. The warrants were recognized on the respective dates as a financial liability denominated in NOK, at fair value through profit and loss. The option value amounted to NOK 19.7 million or \$1.9 million. The financial liability represented by the warrants will eventually be nil, when the warrants have been exercised or expire, but will vary between periods. The key drivers of the fair value of the warrants are number outstanding, the share price and the remaining duration. IDEX recognized net \$0.7 million in financial gain related to the second quarter of 2024.

15 Events after the balance sheet date

Per request from the lender, the Company paid an advanced term on July, 16 2024. The term was settled in cash for a total of \$0.5 million. The final maturity date was thus advanced to December 28 2026.

The board of directors resolved on August 14, 2024 to issue 84,800 incentive subscription rights to a new individual contractor of IDEX Biometrics. The grant was made under the Company's 2024 Subscription rights plan. The exercise price of the subscription rights is NOK 1.37 per share, they vest by 25% per year, and will expire on May 16, 2029. Following the grant, there are 27,229,855 incentive subscription rights outstanding.

There have been no events between June 30, 2024, and the approval of these interim financial statements by the Board of Directors that have had any material impact on the Company's results for the six months ended June 30, 2024, or the value of the Company's assets and liabilities as of June 30, 2024.

RESPONSIBILITY STATEMENT

The Board of Directors and the Chief Executive Officer have today reviewed and approved the IDEX Biometrics ASA unaudited interim condensed consolidated financial statements as of June 30, 2024.

To the best of our knowledge, we confirm the following:

- The interim condensed consolidated financial statements with notes for the first half of 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half calendar year of 2024 give a true and fair view of the Company's assets, liabilities, financial position, and results for the period viewed in their entirety.
- The report from the Board of Directors issued in concert with these condensed financial statements gives a true and fair view of the development, performance, and financial position of the Company, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in note 3 to the financial statements.
- Major related party transactions have been disclosed in note 7 to the financial statements.
- The report from the Board of Directors has been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

August 14, 2024

The Board of Directors of IDEX Biometrics ASA

/s/ Morten Opstad
Chair

/s/ Annika Olsson
Board member

/s/ Adriana Saitta
Board member

/s/ Vincent Graziani
Chief Executive Officer